



SF 2353 – Apprenticeships (LSB 5292SZ)

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Fiscal Note Version – New

Description

Senate File 2353 relates to changes to the Job Training Program and Fund under Iowa Code chapter **260F** and establishes an Apprenticeship Training Program, previously under Iowa Code chapter **260F**, under a new Iowa Code chapter 260J. This Bill does the following:

- Amends the Workforce Development Fund and Workforce Development Fund Account by eliminating the Funds as they currently exist under the Iowa Economic Development Authority (IEDA) and transfers the remaining moneys to newly created funds under the Department of Education (DE).
- Raises the cap on the individual income tax withholding payments transferred to the Workforce Development Fund Account from \$4.0 million to \$6.0 million.
- Creates a Job Training Fund for the community colleges to be administered by the DE.
- Creates an Apprenticeship Training Program Fund under control of the DE.
- Removes the IEDA from approving applications for assistance, setting criteria for whether a business is eligible for assistance under the Program, and coordinating the Jobs Training Program and transfers this responsibility to the DE.
- Caps administrative expenses incurred by the community colleges for the Jobs Training Program at 5.0% of the total project costs.
- Creates an Apprenticeship Training Program in Iowa Code chapter 260J. Awards can be made to an apprenticeship sponsor or lead apprenticeship sponsor in the form of a training grant, infrastructure training grant, or combination of the two. Funding eligibility for awards is established through a formula.
- Establishes an Apprenticeship Training Program Advisory Board to advise the DE on issues related to apprenticeship programs and promote the development of new and the expansion of existing apprenticeship programs in Iowa.
- Permits the DE to use no more than 2.0% of the total funds available in the Apprenticeship Training Program Fund for administering the chapter.
- Requires the DE to adopt rules to administer this Bill.
- Repeals the Business Network Training Program and the High Technology Apprenticeship Program.

Background

The Workforce Development Fund was created by the 1995 Iowa Acts Chapter **184** (Workforce Development Fund Act). The purpose of the Workforce Development Fund is to provide revenue for programs that address the workforce development needs of Iowa primarily related to incumbent worker retraining and apprenticeships. The Fund is administered by the IEDA, and the 15 community colleges are responsible for implementing and managing the program within their regionally defined areas. Community colleges enter into an agreement with an eligible business to establish a training project. To receive Iowa Code chapter **260F** funds for a project, the community colleges then submit an application to the IEDA.

The General Assembly appropriates from the Workforce Development Fund Account to the Workforce Development Fund. In FY 2014, this appropriation was \$4.0 million. Iowa Code section 15.343 currently requires the money in the Workforce Development Fund to be allocated as follows:

- \$3.0 million for the Iowa Job Training Fund in Iowa Code section [260F.6](#).
- \$1.0 million for the High Technology Apprenticeship Program in Iowa Code section [260F.6B](#).

Currently, Iowa Administrative Code [261-7.4\(5\)](#) requires \$300,000 of the \$3.0 million in the Iowa Job Training Fund to be allocated for business network training projects, leaving \$2.7 million for distribution based on the community college distribution formula. Additional background information can be found in this *Fiscal Topic* [Budget Unit: Workforce Development Fund](#), and the recent IEDA Report on [Workforce Training Programs](#).

Assumptions

- \$6.0 million will be appropriated in FY 2015 from the transferred Workforce Training Fund Account to the Workforce Development Fund.
- All the administrative funding currently available for a community college at its designated administrative rate is fully expended.
- Only administrative costs for state funds are included.

Fiscal Impact

[Senate File 2353](#) will decrease the individual income tax withholding payments placed in the General Fund by \$2.0 million in FY 2015 and all future fiscal years. This will increase the Workforce Development Fund account by \$2.0 million.

The fiscal impact for the distribution of program funds is presented in the table below.

Program Allocations for the 260F & 260J Programs			
	Current Law	SF 2353	Difference
Iowa Job Training	\$2,700,000	\$3,000,000	\$ 300,000
Business Network Training	300,000	0	-300,000
Apprenticeship Training	1,000,000	3,000,000	2,000,000
Total	\$4,000,000	\$6,000,000	\$ 2,000,000

Section 12 of this Bill allocates remaining funds from the Business Network Training Program pursuant to the formula established in Iowa Code [260C.18C](#) for the Iowa Job Training Fund. These funds are currently estimated to be about \$600,000.

The DE will need to hire an Education Program Consultant to administer the new programs transferred from the IEDA and support the Apprenticeship Training Program Advisory Board. Maximum costs for salary, benefits, professional training, and support is \$120,000. In FY 2015, the DE will be eligible for a maximum of 2.0% for administrative costs from the Apprenticeship Training Program Fund, which will be \$60,000.

Capping community college administrative expense on the Job Training Program at 5.0% will result in a decrease of \$278,000 in state funds in FY 2015. This does not include the reduction in the administrative costs charged against private match funds if the community college chose

to charge those. For the community colleges that utilize the Apprenticeship Program, administrative costs will be reduced by \$131,000.

This Fiscal Note does not account for any additional funds that may be appropriated to the Workforce Training Fund or any legislative language that notwithstanding any provision of this Bill.

Sources

Department of Education
Iowa Economic Development Authority

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
